

UNITED STATES SENATOR • IOWA
CHUCK GRASSLEY
RANKING MEMBER • SENATE COMMITTEE ON FINANCE

<http://grassley.senate.gov>
press_office@grassley.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

For Immediate Release
Friday, Sept. 13, 2002

Grassley Seeks Safeguards of Federal Fund Drive for Charities

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today sought assurances that the annual federal employee charitable fund-raising drive will continue as planned, even if a key administrator becomes unable to handle its task.

Grassley asked the Office of Personnel Management to promulgate a contingency plan for the Combined Federal Campaign, should the campaign's regional administrators be unable to fulfill their obligations or should they be terminated for misconduct. Grassley also asked for the Office of Personnel Management to review its regulations governing the competitive bidding process for Combined Federal Campaign contracts to ensure that they are open, publicized, and truly competitive. The Combined Federal Campaign is a fund-raising drive conducted every fall that allows federal employees and military personnel to donate money to the charity of their choice through a workplace solicitation.

Grassley's requests stem from the possibility that the campaign's administrator for the Washington, D.C., region – the United Way of the National Capital Area – may not be able to fulfill its obligations. The chapter has been targeted for alleged mismanagement, misuse of funds for personal enrichment, and inflated fund-raising totals; its chief executive officer recently resigned.

Last month, Grassley asked the national United Way to explain how it ensures chapter integrity and the Washington, D.C.-area chapter to explain how it manages donations. Grassley expects a response later this month.

The text of Grassley's two letters today follows.

September 13, 2002

Via Regular Mail and Telefax

The Honorable Kay Coles James
Director
Office of Personnel Management
1900 E St NW
Room 5H09
Washington DC 20415-0001
(202) 632-0832

Mara Paternoster
Director
Office of Combined Federal Campaign Operations
1900 E St NW
Room 5450
Washington, DC 20415
(202) 606-5056

Re: United Way of the National Capital Area's CFC Administration

Dear Directors James and Paternoster:

As Ranking Member of the Senate Committee on Finance (Committee), I am committed to help ensure that federal agencies with charitable programs prioritize accountability to maximize financial relief to those in need. Today I write to request immediate action by the Office of Personnel Management (OPM) to promulgate a contingency plan for the Combined Federal Campaign (CFC), should its regional administrators not be able to fulfill their obligations or should they be terminated for misconduct. I also write to request that OPM's Director conduct a thorough review of OPM's regulations that govern the competitive bidding process for CFC contracts to ensure that they are open, publicized, and truly competitive. These requests stem from the possibility that the CFC's administrator for the National Capital Area campaign for the Washington, D.C., region – the United Way of the National Capital Area (UW-NCA) – may not be able to fulfill its obligations. Alleged mismanagement, misuse of funds for personal enrichment, and inflated fund-raising totals combined with the recent resignation of its Chief Executive Officer following the publication of a report highly critical of his operations prompt my oversight of the CFC at this juncture, approximately two weeks before the start of the CFC campaign. Although I do not advocate delaying the National Capital Area campaign, which would decrease the window of charitable giving, I ask that OPM address certain issues relating to CFC operations to promote public confidence through its transparency.

The CFC is a fund-raising drive conducted every fall that allows federal employees and military personnel to donate money to the charity of their choice through a workplace solicitation. OPM's Office of CFC Operations is responsible for overseeing the CFC. Because OPM does not have the infrastructure to run this campaign at the grass roots level across the country, its Office of CFC Operations contracts with 362 private, volunteer organizations called Local Federal Coordinating Committees (LFCC) to determine which organizations will administer the regional campaigns. LFCCs contract with Principal Combined Fund Organizations (PCFO) to actually run the regional campaigns to include collecting and distributing CFC donations. The UW-NCA is the PCFO for the National Capital Area campaign. Despite this hierarchical structure, OPM officials stated in discussions with my Committee staff that they are committed to ensure an accountable, transparent CFC campaign at all levels.

Last year the CFC raised \$241 million for between 17,000 and 19,000 organizations (OPM did not know the exact number) that participate as either national or local charities in the 362 local campaigns, and upwards of \$50 million for 3,000 organizations listed in the National Capital Area campaign, 1,500 of which are purely local charities. The UW-NCA serves as the PCFO and as a participant in the campaign as a "federation" – an organization that signs up local charities and acts as a broker – for 1,000 of the 1,500 local charities. The UW-NCA has administered the contract for the National Capital Area campaign for 18 years. Although this contract is up for review once a year, it is my understanding that for much of this time no other organization has submitted a competing bid. It is also my understanding that as the PCFO, the UW-NCA last year received 4.65 percent of approximately \$50 million net raised by CFC, or approximately \$2.3 million. Despite my Committee staff's discussions with OPM officials, it remains uncertain to what extent the National Capital Area campaign's PCFO bidding process has truly been open, publicized, and competitive.

The UW-NCA is a community-based organization affiliated with the United Way of America (UWA). Currently, the UW-NCA is under investigation by the Federal Bureau of Investigation for possible financial mismanagement and by the Department of Labor for alleged improprieties relating

to the administration of its pension plan. In addition, OPM's Office of Inspector General (OIG) is auditing pledges to the CFC from federal employees to assure that the UW-NCA is properly distributing those funds. The OIG is also reviewing the administrative expenses incurred by the UW-NCA in running this campaign. Under separate cover, I will request a copy of the draft report of this audit from OPM Inspector General Patrick E. McFarland, which is expected to issue later this month.

Clearly, the contractual relationship between the LFCC for the National Capital Area campaign and the UW-NCA warrants scrutiny. On September 6, 2002, my Committee staff met with representatives from OPM to discuss the CFC regulations and the UW-NCA's administration of the CFC contract, and from the OIG to discuss its audit. According to OPM, any PCFO that does not follow OPM regulations risks losing the contract. OPM's Director has discretion to prevent any charity from participating in the CFC or from administering the contract for a term of years. Surprisingly, OPM does not have a contingency plan to administer the CFC contract to benefit the 1,000 local charities should the UW-NCA not be able to fulfill its obligations. OPM is admittedly in a bind considering the approaching CFC starting date, the last week of September. It will end in mid-December.

Today I write to understand OPM's regulations to ensure that PCFOs, and particularly the UW-NCA, are able to ethically administer the contract and are held accountable for each donation received. I am sure you will agree that people think hard about how much they can afford to give to charity and where their money will do the most good. For their part, PCFOs must be perceived as trustworthy and having in mind the highest interests of their constituent charities. Our task is to ensure that PCFOs adhere to the highest legal and ethical standards without which there can be no trust and no CFC. If the community loses faith in the CFC, the real losers will be family members, friends, neighbors, and colleagues who depend on the generosity and good will of CFC donors.

To better understand OPM's regulations to ensure accountability for the hundreds of millions of dollars received by the CFC, I appreciate your responses to the following questions.

1. Please describe in detail the process by which charities compete for and receive the CFC contract. Kindly include the following in your response:
 - a. Describe how CFC contracts are awarded to include all relevant OPM regulations relating to this competition and the award. Also, please produce those regulations.
 - b. State the amount of money in dollars that the winner of any PCFO contract receives and describe how that amount is calculated. Also, state that amount as a percentage of the total contract.
2. For the past five (5) years:
 - a. State the amount of money that the UW-NCA has received from its administration of the CFC contract, and state this amount as a percentage of CFC funds received for the National Capital Area campaign. Moreover, state how this amount is determined.
 - b. Identify any other funds that the UW-NCA has received for administering the contract.
 - c. Produce copies of all UW-NCA's contracts as PCFO.
3. For the past five (5) years, state the amount of money that the UWA or any of its member community-based organizations besides the UW-NCA has received from any CFC contract that it administers, and state this amount as a percentage of CFC funds received for that regional campaign.
4. Explain under what circumstances and at what point in the contract (i.e., mid-contract or at

or after the end of the contractual year) OPM terminates a CFC contract for cause. Also, explain whether OPM intends to terminate the UW-NCA's contract in light of the above-referenced allegations. If any of the allegations are proved true, explain whether OPM will terminate the UW-NCA's contract or subject that charity to any other sanction. If so, describe that sanction and state at what point the sanction will be imposed (i.e., mid-contract or at or after the end of the contractual year).

5. Describe OPM's provisions for conducting the CFC should a PCFO's contract be terminated. Also, explain what circumstances would terminate the contract. If there are no such provisions, explain why not. Further, explain how long it will take OPM to issue regulations to administer the CFC for the National Capital Area campaign should the UW-NCA be dismissed.

6. For the past five (5) years, identify any organization that OPM has excluded from participation in the CFC for misconduct and explain why. If any such organization was subsequently reinstated and allowed to participate, identify that organization, state when, and explain why.

7. Describe any OPM provision to ensure the long-term integrity of the CFC contracting procedure in light of the fact that for almost two decades the National Capital Area campaign's contract has elicited interest from and been awarded to only one contractor. If no provision is currently in place, explain why not and whether OPM intends to develop and implement same. If so, state how long will it take OPM to develop such provisions.

8. It is my understanding that OPM is in the process of formulating contingency plans for the CFC. Please describe those plans and state any target dates in this regard.

9. Identify the advantages and drawbacks that OPM foresees if it is required to develop and enforce standards for monitoring the management practices of CFC contractors to ensure clarity, accountability, and openness. Please include any financial analyses in your response.

Thank you for your cooperation. Given the timeliness of this information, I appreciate your providing me with your complete responses by October 21, 2002.

Sincerely,

Charles E. Grassley
Ranking Member

CC Via Hand Delivery: Honorable Max Baucus, Chairman, Senate Committee on Finance
CC Via Telefax: UWA (202-488-2082); UW-NCA (703-683-7846)

Brian Gallagher
President and Chief Executive Officer
United Way of America
701 North Fairfax Street
Alexandria, VA 22314

Meredith Johnson
Chief Financial Officer
United Way of the National Capital Area
95 M Street SW
Suite 301-A
Washington, DC 20024

September 13, 2002

Via Regular Mail and Telefax: (202) 418-0630

Patrick E. McFarland
Inspector General
Office of Personnel Management
1900 E Street Room 6400
Washington, DC 20415

Re: Combined Federal Campaign Audit

Dear Mr. McFarland:

As Ranking Member of the Senate Committee on Finance (Committee), I request that you provide me with a copy of the draft report of an audit conducted by the Office of the Inspector General, Office of Personnel Management (OIG) concerning the United Way of the National Capital Area as the Principal Combined Fund Organization of the Combined Federal Campaign. It is my understanding that the OIG intends to issue this report in mid-September 2002, and that the draft report will contain preliminary findings subject to revision after the audited entity has an opportunity to review and rebut the audit issues. The draft report will be held for my Committee staff's use only.

Thank you for this information.

Sincerely,

Charles E. Grassley
Ranking Member

CC Via Telefax: (202) 632-0832

The Honorable Kay Coles James
Director
Office of Personnel Management
1900 E St NW
Room 5H09
Washington DC 20415-0001